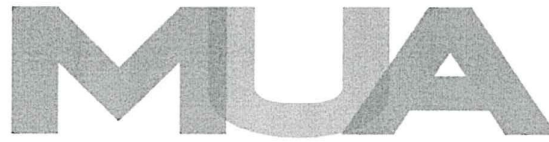


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BMT 200: MICROFINANCE

DATE: 15TH, AUGUST 2014

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and, answer the questions that follow:

MICROFINANCE INSTITUTIONS

Microfinance refers to financial services for poor and low-income clients offered by different types of service providers. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as “microfinance institutions” (MFIs). These institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly.

More broadly, microfinance refers to a movement that envisions a world in which low-income households have permanent access to a range of high quality and affordable financial services offered by a range of retail providers to finance income-producing activities, build assets, stabilize consumption, and protect against risks. These services include savings, credit, insurance, remittances, and payments, and others. In brief, Microfinance is the provision of a broad range of financial services such as; deposits, loans, payment services, money transfers and insurance Products to the poor and low-income households, for their microenterprises and small businesses, to enable them to raise their income levels and improve their living standards.

a) Explain the difference between Microfinance and Microcredit **(5Marks)**

b) Discuss five key characteristics and distinguishing features of Microfinance **(10 Marks)**

c) Clearly explain any five (5) principles that are common to the range of institutions involved in the delivery of microfinance and reflect the fundamental values of appropriateness and sustainability **(10 Marks)**

QUESTION TWO.

Kenya has a relatively well-developed microfinance sector. It comprises organizations, which can be categorized into three “sub-systems”

i. The informal system **(5 Marks)**

- ii. The formal, subsidized system (5 Marks)
- iii. The formal, non-subsidized system (5 Marks)

Discuss these “sub-systems” giving examples from the Kenya economy where necessary.

QUESTION THREE.

Define a SACCO and using six (6) key features, discuss the difference between SACCO's, Microfinance Institutions and banks (15 Marks)

QUESTION FOUR.

Using relevant examples, discuss the opportunities and challenges that face the Microfinance industry (15 Marks)

QUESTION FIVE.

Majority of the microfinance institutions offer and provide credit on a solidarity-group lending basis without collateral. There is also a range of other informal financial providers that MFIs follow. Some MFIs start with one informal financial provider and later on move or diversify to another informal financial provider so that they do not exclude certain socio-economic categories of clients. Discuss five types of informal financial service providers and list its five advantages (15 Marks)

QUESTION SIX.

- a) Briefly narrate the Microfinance Act (3 Marks)
- b) Explain any six (6) main principles of the microfinance act. (12 Marks)